

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO
RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO,
et al.,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**STATUS REPORT OF THE PUERTO RICO FISCAL AGENCY AND FINANCIAL
ADVISORY AUTHORITY REGARDING THE GOVERNMENT OF PUERTO RICO'S
RECENT ACTIVITIES IN RESPONSE TO THE ONGOING COVID-19 PANDEMIC**

To the Honorable United States District Judge Laura Taylor Swain:

The Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), through its undersigned counsel, hereby submits this status report on behalf of the Government of the Commonwealth of Puerto Rico (the "Government") in response to the Court's Order Regarding Procedures for the July 29, 2020 Omnibus Hearing [ECF No. 13746] and states as follows:

PRELIMINARY STATEMENT

Puerto Rico, along with the rest of the world, continues to face the unprecedented challenge and impact caused by the outbreak of COVID-19. Cases of COVID-19 continue to be reported

¹ The Debtors in these Title III cases, along with each Debtor's respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the "Commonwealth") (Bankruptcy Case No. 17-BK-3283 (LTS)) (Last Four Digits of Federal Tax ID: 3481), (ii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566(LTS)) (Last Four Digits of Federal Tax ID: 9686), (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567 (LTS)) (Last Four Digits of Federal Tax ID: 3808), and (iv) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284 (LTS)) (Last Four Digits of Federal Tax ID: 8474); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-4780 (LTS)) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5233-LTS) (Last Four Digits of Federal Tax ID: 3801).

worldwide. As of July 28, 2020, there have been more than 16.5 million confirmed COVID-19 cases globally and over 654,000 people have died.² The United States alone has reported over 4.2 Million COVID-19 cases, including more than 148,000 deaths. Of this amount, Puerto Rico has reported 15,840 cases and 209 deaths.³

As part of AAFAF's *Status Report of the Puerto Rico Fiscal Agency and Financial Advisory Authority Regarding the Government of Puerto Rico's Recent Activities in Response to the Ongoing Covid-19 Pandemic* [ECF No. 13353] (the "June Status Report"), AAFAF detailed and provided an update on the Government's response and measures taken in relation to the ongoing COVID-19 pandemic. AAFAF will focus this report on material changes since June 2, 2020 relating to the Government's response.

Since the June Status Report, the Government's top priority continues to be addressing the significant challenge in safeguarding public health and safety, ensuring the provision of public services (including health services, rising unemployment, and economic distress), and coordinating rehabilitative economic measures. The Government continues to closely monitor the COVID-19 statistics and take measures to control the spread of COVID-19, as Puerto Rico has recently experienced an increase in COVID-19 cases and hospitalizations though, as detailed below, Puerto Rico is not currently facing a shortage of ventilators or hospital beds.⁴

The Government also has continued to implement measured approaches to its phased reopening of business sectors and improve economic conditions. As a result of the increase in COVID-19 cases and to safeguard public health and safety, the Government has also implemented measures to restrict, as appropriate, reopening activities. These actions are detailed below.

² See <https://coronavirus.jhu.edu/map.html>

³ See <https://coronavirus.jhu.edu/region/us/puerto-rico>

⁴ See <https://estadisticas.pr/en/covid-19> (detailing trends in COVID-19).

The Government also continues addressing the negative economic effects of COVID-19. Puerto Rico had approximately 6,890 new unemployment claims for the week ending July 18, 2020, bringing the total new unemployment claims in Puerto Rico to over 348,000. The Government continues to disburse funding and, as of July 17, 2020, the Commonwealth had disbursed approximately \$513 million of the total \$2.24 billion it received under the CARES Act. Further, as part of the Economic Impact Payment Program, over 1.6 million families have received individual payments of up to \$1,200.

Although the full extent of the financial and economic impact of COVID-19 on Puerto Rico remains uncertain, it is clear the Government faces a significant challenge, as detailed in the fiscal plan certified by the Oversight Board on May 27, 2020. The negative economic impact of the pandemic has affected virtually all areas of Puerto Rico's economy. Addressing this economic, social and health challenge is the Government's top priority. To this end, as detailed below, the Government continues to take aggressive measures to combat the virus, protect the people of Puerto Rico, and address the economic impact of the virus.

I. The Governor's Executive Orders – Continuing to Reopen Businesses and Controlling COVID-19⁵

1. As detailed in the June Status Report, Governor Wanda Vázquez Garced (the "Governor") has issued a series of executive orders aimed at a controlled reopening of economic activity in Puerto Rico while safeguarding the health of Puerto Rico's residents. Since the June Status Report, the Governor has continued to work closely with, among others, the Medical and Economic Task Forces and the Department of Health in developing and implementing the measures that allow for the continued gradual reopening of Puerto Rico's economy, while minimizing the risk of the spread of the COVID-19 virus.

⁵ Defined terms not otherwise defined herein, shall have the same meaning given to them in the June Status Report.

2. Following the recommendations of the Medical and Economic Task Forces and federal guidelines, as part of the Government's third phase to restart Puerto Rico's economy, on June 12, 2020, the Governor signed Executive Order 2020-044 ("Executive Order 44") which, among other things, reduced the mandatory curfew from 10:00 p.m. to 5:00 am and maintained it in effect until June 30, 2020. Through Executive Order 44, the Government eased certain restrictions imposed by previous executive orders and allowed the reopening of certain commercial activities and services that had been closed or prohibited since March 15, 2020. Among other things, it allowed the following activities, following federal and local safety guidelines applicable to each such industry:

- Restaurants were allowed to operate, without exceeding 50% of their maximum capacity.
- Establishments selling alcoholic beverages could operate, without exceeding 50% of their maximum capacity.
- Movie theaters were authorized to operate following federal and local safety guidelines.
- Gyms and fitness clubs could operate without exceeding 50% of their maximum capacity.
- Beaches were opened to the public, but visitors may not gather in groups without taking precautionary measures and practicing social distancing.
- Beginning July 1, 2020, music and concert venues for in-person events were authorized to operate, if they were following federal and local safety guidelines.

3. Subject to the development of COVID-19 in the island, Executive Order 44 also provided that Puerto Rico would begin to formally open its economy to tourism activities, following safety guidelines, starting on July 15, 2020.

4. In consultation with, among others, the Economic Task Force, the Medical Task Force and the Department of Health, on June 29, 2020, the Governor signed Executive Order 2020-

048 (“Executive Order 48”), which continued the controlled reopening of Puerto Rico’s economy. Executive Order 48 also extended the mandatory curfew until July 22, 2020 and the quarantine order imposed by Executive Order 44, seeking to control the risk of contagion and slow the spread of COVID-19.

5. To continue the controlled reopening of businesses, Executive Order 48 authorized restaurants, bars, gyms, museums, auto dealerships, malls and retail stores, casinos, and common areas in hotels, among others, to operate below 75% of their maximum capacity. Further, through Executive Order 48, career employees of the Government were directed to return to work on July 1, 2020 and Government agencies that provide services to the public were ordered to begin to receive public at their facilities starting on July 6, 2020.

6. In order to prepare Puerto Rico for the opening of external tourism starting on July 15, 2020, and in response to the global increase in COVID-19 cases, on July 3, 2020, the Governor signed Executive Order 2020-052 (“Executive Order 52”), which established parameters regarding the entry of domestic and international passengers to all airports in Puerto Rico. To that end, Executive Order 52 required all passengers arriving at any airport in Puerto Rico to, among other things, provide evidence of a negative COVID-19 test result from a qualified molecular SARS-COV2 diagnostic test performed within seventy-two 72 hours prior to their arrival in Puerto Rico.

7. Executive Order 52 established that if a passenger is unable to provide a molecular negative test result prior to arrival, the passenger is required to remain in quarantine for a period of 14 days. Any passenger who shows COVID-19-related symptoms at the screening area set up by the National Guard at the airport, as deemed necessary by the personnel in charge, is required to get tested for COVID-19 using a serologic test at the airport. If the serologic test is negative, the person is given a referral to get a molecular COVID-19 test outside the airport. The passenger is

required to remain in quarantine until a negative molecular test is received and reported to the relevant agencies.

8. Unfortunately, as detailed above, in recent days Puerto Rico experienced an increase of COVID-19 cases. While Puerto Rico is not facing at this time a shortage of hospital beds or ventilators, the Governor, in consultation with the Medical and Economic Task Forces, concluded that it was necessary to modify the restrictions on some of the allowed commercial activities to prevent mass gatherings and to help control the spread of the virus. To that end, on July 16, 2020, the Governor signed Executive Order 2020-054 (“Executive Order 54”) which extended the mandatory curfew until July 31, 2020 and included certain restrictions to allowed activities.

9. Among other things, Executive Order 54 prohibits the consumption, sale, and distribution of alcoholic beverages in all businesses and commercial establishments after 7:00 p.m. Moreover, establishments engaged primarily in the sale of alcoholic beverages for consumption inside such as bars, small eateries, and any other similar place were required to close.

10. To control mass gatherings, Executive Order 54 also provides that beaches will be closed, with limited exceptions. Executive Order 54 also requires the closure of movie theaters, nightclubs, concert halls, theaters, theme parks, gymnasiums, among others.

11. With respect to Tourism, Executive Order 54 prohibits the use of hotel and inn common areas, such as pools, bars, or casinos. Further, Executive Order 54 allowed restaurants, retail stores, auto dealerships, museums, and others to continue operating, without exceeding their 50% maximum capacity and following safety guidelines.

II. Update on Funding Related to COVID-19

A. Federal Funding Under the Coronavirus Relief Fund

12. With regards to the CARES and Coronavirus Relief Fund funding detailed in the June Status Report, as of July 17, 2020, the Government has disbursed approximately \$513 million of the \$2.2 billion it has received. AAFAF has published a report detailing the use of these funds and the disbursements made as of July 17, 2020, and the report is available at <https://www.aafaf.pr.gov/wp-content/uploads/Copy-of-CRF-Strategic-Disbursement-Plan-Funding-Report-07.17.2020.pdf>.

B. Update on Disbursements Under the Emergency Measure Support Package

13. With regards to the COVID-19 Emergency Measure Support Package detailed in the June Status Report, as of July 17, 2020, the Government had disbursed \$435 million dollars out of the \$787 million approved in the package. AAFAF has published a report detailing the use of these funds and the disbursements made as of July 17, 2020, and the report is available at <https://www.aafaf.pr.gov/wp-content/uploads/Copy-of-COVID-19-Emergency-Measure-Support-Package-Report-7-17-2020.pdf>.

III. Additional Specific Efforts to Combat the COVID-19 Pandemic⁶

A. Department of Health

14. The Department of Health continues to focus its efforts on tracking and combating the COVID-19 crisis. As detailed in the June Status Report, Department of Health maintains a “dashboard”, through which it provides daily updates on the COVID-19 crisis.⁷ As of July 28, 2020:

- Puerto Rico had 5,585 confirmed cases, 10,255 probable cases, and 209 deaths.
- Over 321,000 serological and molecular COVID-19 tests have been performed.

⁶ The data and information provided herein has been obtained by AAFAF directly from the Department of Health and the Department of Education.

⁷ <https://experience.arcgis.com/experience/852c30ea3baa48278175c13c211728e0/>

- 1,320 ventilators are in stock and available to be used in Puerto Rico, of which 290 are in use at this time. Of these, 33 are pediatric ventilators.
- 469 patients are currently hospitalized due to COVID-19 of which 66 are in intensive care, and 37 are using ventilators.
- 3,098 adult beds and 353 pediatric beds are currently in use out of a total 6,914 and 1,390 hospital beds, respectively.

B. Department of Education

15. On July 22, 2020, in consultation with the Governor and the Department of Health, the Department of Education announced its plan for starting classes in Puerto Rico's public and private schools. The plan provides that classes in Puerto Rico's public schools will commence on August 17, 2020 through online learning and, subject to the monitoring and development of COVID-19 cases, in-person classes will commence September 17, 2020.

IV. Other AAFAF Activities

A. Continued Natural Disaster Relief Efforts⁸

16. In addition to the COVID-19 crisis, the Government continues to coordinate relief and funding efforts to address the natural disasters that have affected Puerto Rico in recent years, including the continued recovery following Hurricanes Irma and Maria and the earthquakes that impacted (and continue to impact) the southern and southwestern part of Puerto Rico. Since AAFAF's June Status Report, AAFAF has the following new updates to report:

- Approximately 558 projects were approved by FEMA, representing \$332 million in funds for recovery and permanent work related to Hurricane María. These projects will address damage caused by Hurricane María to municipal buildings, hospitals, universities, roads, bridges, and water facilities.
- As of July 13, 2020, FEMA had approved over \$55.3 million in assistance to repair homes damaged by the recent earthquakes. Further, as of that date, the U.S. Small Business

⁸ The data and information provided herein has been obtained by AAFAF directly from the Central Office of Recovery, Reconstruction and Resiliency (COR3).

Administration had approved over \$39.9 million in low-interest disaster loans to 1,395 homeowners, renters, and businesses with earthquake related damages.

B. COFINA Update

17. In light of the oral argument taking place this week before the First Circuit Court of Appeals on the appeals of the order and judgment confirming the COFINA Plan of Adjustment, AAFAF provides the following status update on COFINA.

18. On May 1, 2020, COFINA filed its audited Basic Financial Statements and Required Supplementary Information for the fiscal year ending on June 30, 2019. These are the first annual financial statements that COFINA has filed since it emerged on February 12, 2019, from its restructuring proceeding under Title III of PROMESA and the COFINA Plan of Adjustment went effective. The financial statements represent a critical step in COFINA's re-entry to the capital markets as a restructured entity and comply with the corporation's continuing disclosure obligations under that certain Continuing Disclosure Agreement dated as of February 12, 2019, and Rule 15c2-12, as promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1932, as amended.

19. The financial statements were the culmination of several months of diligent effort by the COFINA and AAFAF accounting teams as well as outside accounting, financial, and legal professionals consulted during the preparation and drafting process. The COFINA Board of Directors ably supervised the preparation and drafting of the statements, and it continues to lead the corporation with financial and operating independence from the Commonwealth and corporate governance consistent with such independence.

20. The restructured COFINA bonds continue to trade strongly on the secondary trading market. Like most segments of the market, the COFINA bonds suffered from the impact of the COVID-19 pandemic, bringing COFINA prices down materially compared to pre-COVID-

19 levels. Prices have recovered almost to pre-COVID-19 levels, reflecting the strength of the credit. COFINA dominates Puerto Rico bonds trade volume, representing 66% of trading volume in the past 3 months. COFINA continues to meet its obligations under applicable bond indentures, making timely interest and principal payments as required.

21. On June 19, 2020, the Oversight Board certified the Government of Puerto Rico's updated Fiscal Plan for COFINA (the "2020 COFINA Fiscal Plan"). In its accompanying press release, the Oversight Board stated that the 2020 COFINA Fiscal Plan is "based on the macroeconomic projections outlined in the Certified Fiscal Plan for the Commonwealth of Puerto Rico and demonstrates that COFINA has sufficient revenue to cover operating expenses and debt payments." The Oversight Board further noted that "COFINA debt obligations are sustainable based on projected Sales and Use Tax (SUT) collections."

(signature page follows)

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San Juan, Puerto Rico

Respectfully submitted,

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